



Plante & Moran, PLLC

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October 24, 2007

This report is being resubmitted because the date on the letter was incorrect. The correct date is October 3, 2007, not September 20, 2007. Please replace the 2007 report you have on file with this one.

Thank you

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Farmington Community Library	County Oakland
Fiscal Year End June 30, 2007	Opinion Date October 3, 2007	Date Audit Report Submitted to State October 6, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

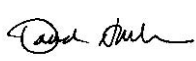
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Plante & Moran, PLLC		Telephone Number (810) 767-5350		
Street Address 111 East Court Street		City Flint	State MI	Zip 48502
Authorizing CPA Signature 		Printed Name Tadd Harburn		License Number 1101014134

Annual Financial Report
Farmington Community Library
For the Year Ended June 30, 2007
with Independent Auditors' Report

Farmington Community Library, Michigan
Annual Financial Report
For the Fiscal Year Ended June 30, 2007

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Financial Section



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Independent Auditors' Report

To the Board of Trustees of
Farmington Community Library:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Farmington Community Library, Michigan (Library) as of June 30, 2007, and for the year then ended, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Farmington Community Library, Michigan at June 30, 2007, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison information on pages 3 through 8, and 34 through 35 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. For the management's discussion and analysis, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Farmington Community Library's basic financial statements. The introductory section and combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Plante & Moran, PLLC

October 3, 2007

Management's Discussion and Analysis

Farmington Community Library Management's Discussion and Analysis

This section of Farmington Community Library annual financial report presents our discussion and analysis of the Library's financial performance during the fiscal year that ended on June 30, 2007. Please read it in conjunction with the Library's financial statements, which follow this section.

Governmental Accounting Standards Board Statement No.34

Farmington Community Library has prepared this report in accordance with the Governmental Accounting Standards Board Statement No. 34 reporting requirement. Known as GASB 34, the new reporting requirement includes this letter, provides a comparative analysis between the current-year and prior-year financial information. The following information presents a comparative analysis of key elements of the total governmental funds and the total enterprise funds.

Financial Highlights

- The Library's total assets are \$18.0 million and net assets amounted to \$10.9 million.
- During the year, the Library-wide governmental activity revenues generated in taxes and other revenues were \$1,517,502 greater than expenses for Library operations.
- General Fund revenues exceeded expenditures and other uses by \$558,153 compared to fiscal year 2006 excess revenues over expenditures and other uses of \$1,732,508. The reduction, in part, resulted from larger transfers made to the Capital Reserve Fund in FY '07. General Fund fund balance increased to \$2,409,854.

Overview of the Financial Statements

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Library:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Library's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Library government, reporting the Library's operations in more detail than the government-wide statements.
 - * The governmental fund statements tell how general government services were financed in the short term as well as what remains for future spending.
 - * Unlike other governmental entities, the library has no activities requiring Proprietary Fund statements.
 - * Fiduciary Fund statements provide information about the financial relationships in which the Library acts as an agent that administers the fund for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which are added together and presented in single columns in the basic financial statements.

Table 1 summarizes the major features of the Library's financial statements, including the portion of the Library government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Table 1 Major Features of Farmington Community Library
Government-wide and Fund Financial Statements
Fund Statements**

Type of Statements	<u>Government-wide</u>	<u>Governmental Funds</u>
Scope	Entire Library government (except fiduciary funds)	The activities of the Library that are not proprietary or fiduciary in nature
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Statements

The government-wide statements report information about the Library as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Library's net assets and how they have changed. Net assets – the difference between the Library's assets and liabilities – is one way to measure the Library's financial health or position.

- Over time, increases or decreases in the Library's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Library you need to consider additional non-financial factors such as changes in the Library's property tax base.

The government-wide financial statements of the Library are classified into the following category:

- Governmental activities – The Library’s basic services are included here. Property taxes and state grants finance most of these activities.

Farmington Community Library’s Condensed Balance Sheet

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
Current and other assets	\$ 3,831,663	\$ 2,600,975
Capital assets	<u>14,146,740</u>	<u>14,815,579</u>
Total assets	<u>\$17,978,403</u>	<u>\$17,416,554</u>
Current and other liabilities	\$ 1,242,794	\$ 1,235,114
Long-term liabilities	<u>5,872,770</u>	<u>6,836,103</u>
Total liabilities	<u>7,115,564</u>	<u>8,071,217</u>
Net assets:		
Invested in capital assets, net of related debt	7,461,740	7,200,579
Unrestricted	<u>3,401,099</u>	<u>2,144,758</u>
Total net assets	<u>10,862,839</u>	<u>9,345,337</u>
Total liabilities and net assets	<u>\$17,978,403</u>	<u>\$17,416,554</u>

It can be seen that total net assets for the Library increased \$1,517,502 during 2007. Most of the increase is due to operating revenues over expenditures during the year.

Governmental Statement of Activities

	2007	2006
Revenues:		
Program revenues:		
Charges for services	\$ 220,821	\$ 206,188
Operating grants and contributions	87,741	122,549
General revenues:		
Property taxes	7,411,897	7,120,618
State of Michigan	217,888	190,508
Other	224,645	134,019
Total revenues	<u>8,162,992</u>	<u>7,773,882</u>
Expenses:		
General government	6,337,477	6,205,690
Interest on long term debt	308,013	341,162
Total expenses	<u>6,645,490</u>	<u>6,546,852</u>
Increase (decrease) net assets	1,517,502	1,227,030
Net assets - beginning of year	9,345,337	8,118,307
Net assets - end of year	<u>\$ 10,862,839</u>	<u>\$ 9,345,337</u>

Total revenues increased \$389,110 mainly as a result of an increase in property taxes. Operating expenses for the Library increased \$98,638 or 1.5% from \$6,546,852 to \$6,645,490 due to normal inflation.

Fund Financial Statements

The fund financial statements provide more detailed information about the Library's most significant funds – not the Library as a whole. Funds are accounting devices that the Library uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Library Board establishes other funds to control and manage money for particular purposes (like the Employee Benefit Fund) or to show that it is properly using certain taxes and grants.

The Library has two kinds of funds:

- Governmental funds – Most of the Library's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between the two sets of statements.

- Fiduciary fund – The Library maintains a fiduciary fund for the Metro Net Agency Activities.

Financial Analysis of the Library as a Whole

Changes in Net Assets:

The Library's combined net assets are \$10,862,839. In comparison, last year net assets were \$9,345,337, an increase of \$1,517,502. The increase was due primarily to general revenues exceeding operating expenses.

Governmental Activities:

The Library's total governmental activity expenses were \$6,337,477. There were charges for services and operating grants received of \$220,821 and \$87,741, respectively. General revenues consisted of property taxes (\$7,411,897), shared revenues (\$217,888) and investments earnings (\$224,645). These activities resulted in an increase in net assets of \$1,517,502, for a 16% increase.

Financial Analysis of the Library's Funds

As the Library completed the year, its governmental funds reported a combined fund balance of \$3,517,531. The fund balance is reserved for Endowment purposes in the amount of \$298,262, and is designated for capital improvements of \$786,282, and employee benefits of \$23,133, leaving undesignated fund balance of \$2,409,854.

General Fund Budgetary Highlights

Capital Assets

At the end of 2007, the Library had invested \$7,461,740 in capital assets, net of related debt. These assets are recorded and depreciated using methods consistent with those established by the Governmental Accounting Standards Board (GASB).

Long-term Debt

At year-end the Library had \$6,685,000 in bonds and notes outstanding for governmental activities.

Budgets

Increases in proposed expenditures and transfers in the final budget by a total of \$610,425 or 8% over the original budget were approved. Most of the increase related to a larger transfer to the Capital Reserve Fund.

Economic Factors and Next Year's Budgets and Rates

Financial stability for operating monies, the primary goal of the Trustee's strategic plan, was accomplished at a May 2005 election, with voter approval of a dedicated operating millage of 1 mill for 20 years. These Library summer taxes were levied and collected beginning July 1, 2005, replacing the quarterly appropriations from the cities of Farmington and Farmington Hills. This is in addition to the .6 mill (.5856 with Headlee reduction) the Library levies each December, until 2013.

As a result the Library has been able to move forward with the objectives outlined in the Farmington Community Library Strategic Plan 2005-2008, as follows:

- Debt retirement of the original \$13 million bond continues to be the first obligation of the Library with priority payment.
- The fund balance was developed, as recommended by the auditor, to be at a minimum, 10% of operating funds to accommodate cash flow requirements, especially with the Library's financial independence from the cities.

- The Board established and contributes to a funding vehicle based on actuarial projections to offset the future liabilities related to fringe benefits to retirees, in compliance with GASB 34.
- The Board also designates funds for the Capital Reserve Fund to cover costs for future maintenance and replacement of buildings and equipment, including technology and automation. Substantial amounts were added to this fund this fiscal year.

Economic forecasts for Michigan assume a slower economy with lower revenues, continued job loss and housing prices continuing to fall, eroding the property tax base. Legislative responses include proposals for additional tax captures, reductions in State Aid, and elimination of the personal property tax, all of which may jeopardize library funding. In recognition of these fiscal uncertainties the Library Board is focused on planning for both sustainable funding and cost containment for Library operations.

Preparation for the 2007-2008 budget includes plans for a major upgrade to the integrated Library circulation system, the replacement of computers and the installation of a print management and computer login system at both buildings. In addition, the replacement of outdated electrical fixtures with more cost efficient units is scheduled for the Main Library. The branch will require major structural repair at the east staff entrance area.

Requests for information

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Library Director, 32737 West Twelve Mile Road, Farmington Hills, MI 48334-3302.

Basic Financial Statements

Government-wide Financial Statements

Farmington Community Library
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Cash and equivalents	\$ 2,770,359
Investments	298,262
Accounts receivable	661,971
Prepaid items	82,133
Investment in joint venture	18,938
Capital assets (net of accumulated depreciation)	<u>14,146,740</u>
Total assets	<u><u>\$ 17,978,403</u></u>

(continued)

*Notes to the financial statements are
an integral part of this statement.*

Farmington Community Library
Statement of Net Assets (continued)
June 30, 2007

	<u>Governmental Activities</u>
Liabilities and Net Assets	
Liabilities:	
Accounts payable	\$ 187,173
Accrued liabilities	75,621
Noncurrent liabilities:	
Due within one year	980,000
Due in more than one year	<u>5,872,770</u>
Total liabilities	<u>7,115,564</u>
Net assets:	
Invested in capital assets, net of related debt	7,461,740
Unrestricted	<u>3,401,099</u>
Total net assets	<u>10,862,839</u>
Total liabilities and net assets	<u><u>\$ 17,978,403</u></u>

*Notes to the financial statements are
an integral part of this statement.*

Farmington Community Library
Statement of Activities
For the Year Ended June 30, 2007

Functions\Programs	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
Primary Government				
Governmental activities:				
General government - Library operations	\$ 6,337,477	\$ 220,821	\$ 87,741	\$ (6,028,915)
Interest on long-term debt	308,013	-	-	(308,013)
Total governmental activities	\$ 6,645,490	\$ 220,821	\$ 87,741	(6,336,928)
General revenues:				
Property taxes - Special millage				7,411,897
State penal fines and shared revenues				217,888
Unrestricted investment earnings				224,645
Total general revenues				<u>7,854,430</u>
Change in net assets				1,517,502
Net Assets - Beginning				<u>9,345,337</u>
Net Assets - Ending				<u>\$ 10,862,839</u>

Notes to the financial statements are an integral part of this statement.

Fund Financial Statements

**Farmington Community Library
Balance Sheet
Governmental Funds
June 30, 2007**

			Special Revenue		
	General	Endowment Permanent Fund	Capital Reserve Fund	Non-Major Employee Benefit Fund	Total
Assets					
Cash and cash equivalents	\$ 2,291,076	\$ -	\$ 456,150	\$ 23,133	\$ 2,770,359
Investments	-	298,262	-	-	298,262
Accounts receivable	661,971	-	-	-	661,971
Prepaid expenses	82,133	-	-	-	82,133
Due from other funds	-	-	330,132	-	330,132
Total assets	\$ 3,035,180	\$ 298,262	\$ 786,282	\$ 23,133	\$ 4,142,857
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 187,173	\$ -	\$ -	\$ -	\$ 187,173
Accrued liabilities	75,621	-	-	-	75,621
Due to other funds	330,132	-	-	-	330,132
Total liabilities	592,926	-	-	-	592,926
Fund balances:					
Reserved for other purposes	-	298,262	-	-	298,262
Unreserved reported in:					
Designated for capital improvements	-	-	786,282	-	786,282
Designated for employee benefits	-	-	-	23,133	23,133
Undesignated	2,442,254	-	-	-	2,442,254
Total fund balances	2,442,254	298,262	786,282	23,133	3,549,931
Total liabilities and fund balances	\$ 3,035,180	\$ 298,262	\$ 786,282	\$ 23,133	\$ 4,142,857

*Notes to the financial statements are
an integral part of this statement.*

**Farmington Community Library
Reconciliation of the Fund Balance as Reported in the
Governmental Balance Sheet to the Statement of Net Assets
For the Year Ended June 30, 2007**

Total Governmental Funds Fund balance as reported in the Balance Sheet	
Governmental Funds	\$ 3,549,931
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,146,740
Investment in joint ventures not included as an asset in the governmental funds	18,938
Long term liabilities, including long term notes payable, are not due and payable in the current period, and therefore, are not reported in the funds.	<u>(6,852,770)</u>
Net Assets - Governmental Activities	<u><u>\$ 10,862,839</u></u>

Notes to the financial statements are an integral part of this statement.

**Farmington Community Library
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007**

			Special Revenue		
	General	Endowment	Capital	Non-Major	
	Fund	Permanent	Reserve	Employee	Total
	Fund	Fund	Fund	Benefit Fund	
Revenues					
Property taxes	\$ 7,411,897	\$ -	\$ -	\$ -	\$ 7,411,897
Intergovernmental revenues:					
State of Michigan	217,888	-	-	-	217,888
Memorials and gifts	85,516	-	-	-	85,516
Investment income	185,449	31,080	7,061	1,055	224,645
Grants	2,225	-	-	-	2,225
Fines	129,843	-	-	-	129,843
Other	90,978	-	-	-	90,978
Total revenues	8,123,796	31,080	7,061	1,055	8,162,992
Expenditures					
General government:					
Salaries	2,427,288	-	-	-	2,427,288
Fringe benefits	1,079,766	-	-	17,302	1,097,068
Professional services	57,112	-	-	-	57,112
Utilities	292,845	-	-	-	292,845
Automation related expenditures	53,472	-	-	-	53,472
Insurance	88,008	-	-	-	88,008
Repairs and maintenance	253,654	-	-	-	253,654
Gift fund purchases	52,460	-	-	-	52,460
Other operating expenditures	343,134	-	-	3,263	346,397
Metro Net contribution and shared expenditures	33,647	-	-	-	33,647
Capital outlay:					
Capital improvements	254,991	-	-	-	254,991
Books, periodicals, and library materials	698,221	-	-	-	698,221
Debt service:					
Principal and interest retirement	1,238,013	-	-	-	1,238,013
Total expenditures	6,872,611	-	-	20,565	6,893,176
Excess (deficiency) of revenues over expenditures	1,251,185	31,080	7,061	(19,510)	1,269,816
Other Financing Sources (uses)					
Transfers in	-	-	640,132	20,500	660,632
Transfers out	(660,632)	-	-	-	(660,632)
Total other financing sources (uses)	(660,632)	-	640,132	20,500	-
Excess of revenues and other sources over expenditures and other uses	590,553	31,080	647,193	990	1,269,816
Fund Balance - Beginning of year	1,851,701	267,182	139,089	22,143	2,280,115
Fund Balance - End of year	\$ 2,442,254	\$ 298,262	\$ 786,282	\$ 23,133	\$ 3,549,931

*Notes to the financial statements are
an integral part of this statement.*

**Farmington Community Library
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2007**

Amounts reported for governmental activities in the statement of activities (page 11) are different because:

Net change in fund balances - total governmental funds (page 14)	\$ 1,269,816
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period	(668,839)
Investments in joint ventures not included in governmental funds	3,192
Change in liabilities for compensated absences are recorded when incurred in statement of activities	(16,667)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items	930,000
Change in Net Assets of Governmental Activities	<u><u>\$ 1,517,502</u></u>

**Farmington Community Library
Balance Sheet
Fiduciary Funds
June 30, 2007**

	Metro Net Agency
Assets	
Cash and cash equivalents	\$ 604,333
Accounts receivable	<u>116,862</u>
Total assets	<u><u>\$ 721,195</u></u>
Liabilities and Fund Balances	
Liabilities:	
Due to members	<u><u>\$ 721,195</u></u>

*Notes to the financial statements are
an integral part of this statement.*

Notes to Basic Financial Statements

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2007

I. Summary of significant accounting policies

The accounting policies of the Farmington Community Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Farmington Community Library.

A. Reporting entity

The Farmington Community Library (the "Library") was established in 1956 and serves the Farmington communities through two libraries located in Farmington and Farmington Hills. The Library is governed by an eight-member Board of Trustees and an appointed Library Director. It provides resources for the informational, educational, cultural, and recreational needs of its patrons. The residents of both cities approved an independent tax millage in 2005 that allows the Library to no longer be dependent on subsidies from the Cities after the year ended June 30, 2005.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. There are no component units for the Library.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The Library currently does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Library currently has no proprietary or enterprise funds.

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2007

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Endowment Permanent Fund receives donations restricted as to use. Generally, only the interest can be used for Library operations. The Fund was created in 1992 by Board resolution.

Additionally, the government reports the following fund types:

Special Revenue Funds - These funds are used to account for specific governmental revenues that are legally restricted to expenditure for particular purposes.

Fiduciary Fund – This fund, used to account for assets held in a trust or as an agent for others, includes the Metro Net Agency Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2007

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits

The Library's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments:

Investments for the Library are stated at fair value based on quoted market prices. Certificates of deposit with a maturity date of greater than three months at time of purchase are recorded as investments on the financial statements.

3. Receivables and payables

In general, outstanding balance between funds are reported as "due to/from other funds", activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade, notes, contracts, and property tax receivables are shown net of an allowance for uncollectibles.

4. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Capital assets

Capital assets, which include property, plant and equipment, and books, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2007

I. Summary of significant accounting policies - (continued)

D. Assets, liabilities, and net assets or equity - (continued)

5. Capital assets – (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	15-39
Vehicles	5
Books	10
Equipment and furniture	3-7

6. Employee vacation and sick leave

Library employees have a vested right to receive payment for unused vacation and sick leave under conditions specified in the personnel policy manual. All vacation and applicable sick leave is accrued when incurred at the government-wide. A liability for these amounts is reported in governmental funds only for employee terminations at year end.

7. Long-term obligations

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the statement of net assets.

- Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.
- The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Permanent endowment

Generally, only the interest in the endowment permanent fund for which restricted donations have been received can be used for Library projects as periodically determined by the Library Board. Currently, the entire net assets are shown as “restricted for other purposes.”

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2007

I. Summary of significant accounting policies - (continued)

D. Assets, liabilities, and net assets or equity - (continued)

11. Property taxes

Property taxes attach as an enforceable lien on property as of December 31 each year. Library taxes, levied and immediately due July 1, are collected by the Cities of Farmington and Farmington Hills without penalty through September 15, and with penalty thereafter. Library property tax revenues are recognized as revenues in the fiscal year levied to the extent that they are budgeted and available for the financing of operations.

The 2006 total taxable valuation for the Farmington and Farmington Hills communities totaled \$4.670 billion (a portion of which is abated and a portion of which is captured by the DDA and TIFA), on which taxes levied consisted of 1.5856 mills for operating purposes. One mill expires in the year 2024 while .5856 mills expire in 2013. The amounts levied resulted in \$7,408,980 which is recognized in the General Fund.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Bonds and notes payable	\$6,685,000
Compensated absences	<u>167,770</u>
Net adjustment to reduce <i>fund balance -total governmental funds</i> to arrive at <i>net assets -governmental activities</i>	<u><u>\$6,852,770</u></u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated use-full lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$ 317,728
Depreciation expense – net	<u>(986,567)</u>
Net adjustment to decrease <i>net changes in fund balances -</i> <i>total governmental funds</i> to arrive at <i>changes in net assets</i> <i>of governmental activities</i>	<u><u>\$(668,839)</u></u>

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2007

III. Stewardship, compliance, and accountability

A. Budgetary information

The Library employs the following procedures in establishing the budgetary data reflected in the financial statements:

- In March, the Library Director submits to the Board of Trustees, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Appropriations are made on an object (line-item) basis.
- The budget is legally enacted through passage of a resolution by the Board of Trustees.
- Formal budgetary integration is employed as a management control device during the year for the General Fund and individual Special Revenue Funds.
- Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budget amounts included in the financial statements are as originally adopted or as amended by the Board during the year. The legal level of budgetary control adopted by the governing body is the line item level. Individual amendments were not material in relation to the original appropriations. Appropriations unused at June 30 are not carried forward to the following year.

IV. Detailed notes on all funds

A. Deposits and investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan association that have offices in Michigan. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Endowment Permanent Fund is also authorized by Michigan Public Act 157 of 1976 and the Endowment Fund Policy, as amended, to invest in:

- Cash
- Bonds, bills or notes of the United States; obligations, the principal of and interest on which are fully guaranteed by the United States; obligations of the State of Michigan; or securities issued or guaranteed by agencies or instrumentalities of the United States Government.
- Commercial paper rate A₁/P₂, bankers acceptances, certificates of deposit and United States Governmental repurchase agreements.
- Mutual funds composed of stocks, bonds, debentures and other securities of profit or nonprofit corporations and those investment vehicles which are guaranteed by agencies or instrumentalities of the United States Government.

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2007

IV. Detailed notes on all funds – (continued)

A. Deposits and investments – (continued)

The Library has designated four financial institutions for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all of the above mentioned investment vehicles. The Library's deposits and investment policies are in accordance with statutory authority.

The Library's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$149,681 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial credit risk of investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Library's name:

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
Governmental security money market mutual funds	\$3,177,994	Counterparty
Stock mutual fund (endowment)	150,881	Counterparty's trust department

Interest rate risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Library's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Carrying Value</u>	<u>Weighted Average Maturity</u>
U.S. government or agency bond or note pool	\$ 31,079	Not available

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2007

IV. Detailed notes on all funds – (continued)

A. Deposits and investments – (continued)

Concentration of credit risk:

The Library places no limit on the amount it may invest in any one issuer. None of the Library's investments are concentrated in any one issuer more than 5 percent.

B. Capital assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance (Restated)	Reclass- ifications	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Artwork	\$ 189,695	\$ (37,246)	\$ 5,000	\$ -	\$ 157,449
Land	138,052	(7,642)	-	-	130,410
Total capital assets, not being depreciated	327,747	(44,888)	5,000	-	287,859
Capital assets, being depreciated:					
Buildings and sites	16,630,375	44,888	96,748	-	16,772,011
Furniture and equipment	2,396,055	-	9,412	(11,084)	2,394,383
Books	1,383,844	-	206,568	(178,736)	1,411,676
Vehicles	57,294	-	-	-	57,294
Total capital assets being depreciated	20,467,568	44,888	312,728	(189,820)	20,635,364
Less accumulated depreciation:					
Buildings and sites	3,668,227	-	456,345	-	4,124,572
Furniture and equipment	1,494,183	-	302,702	(11,084)	1,785,801
Books	760,032	-	139,807	(91,023)	808,816
Vehicles	57,294	-	-	-	57,294
Subtotal	5,979,736	-	898,854	(102,107)	6,776,483
Total capital assets, being depreciated, net	14,487,832	44,888	(586,126)	(87,713)	13,858,881
Governmental activities capital assets, net	\$14,815,579	\$ -0-	\$(581,126)	\$ (87,713)	\$14,146,740

C. Interfund receivables, payables, and transfers

Transfer In

Non-major Funds

Transfer out – General Fund

\$660,632

Transfer between funds was primarily for operating purposes.

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2007

IV. Detailed notes on all funds – (continued)

D. Long-term debt

The government issues bonds to provide funds for the acquisition and construction of major capital facilities. The tax levy is used to liquidate the long-term debt. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

Long-term liability activity for the year ended June 30, 2007 can be summarized as follows:

	<u>General Obligation Bonds</u>	<u>Accumulated Annual and Sick Pay</u>	<u>Total</u>
Governmental activities:			
Debt at July 1, 2006	\$7,615,000	\$151,103	\$7,766,103
Principal payments made	(930,000)	-	(930,000)
Net change – sick pay	-	16,667	16,667
Total governmental activities long-term debt	<u>\$6,685,000</u>	<u>\$167,770</u>	<u>\$6,852,770</u>

	<u>Final Payment Due</u>	<u>Interest Rate or Range</u>	<u>Original Amount of Issue</u>	<u>Balance at June 30, 2006</u>	<u>Issuances During Year</u>
Governmental activities:					
1998 Library Building and Site Bonds	2013	3.5-4.4%	\$12,000,000	\$6,805,000	\$ -
2003 Library Building and Site Bonds	2013	1.5-3.1	1,050,000	810,000	-
Accrued annual and sick pay				151,103	23,414
Total governmental activities				<u>\$7,766,103</u>	<u>\$ 23,414</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 980,000	\$ 272,714
2009	1,030,000	235,308
2010	1,085,000	194,916
2011	1,140,000	151,072
2012	1,195,000	104,186
2013	1,255,000	53,958
Total	<u>\$6,685,000</u>	<u>\$1,012,154</u>

Retirements During <u>Year</u>	Balance at June 30, <u>2006</u>	Due Within One <u>Year</u>
\$(835,000)	\$5,970,000	\$880,000
(95,000)	715,000	100,000
(6,747)	167,770	18,829
<u>\$(936,747)</u>	<u>\$6,852,770</u>	<u>\$998,829</u>

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2007

V. Other information

A. Retirement plans

The Library has two retirement plans in existence. One is a defined benefit plan and the other is a defined contribution plan. Each are described in the following note.

1. Defined benefit plan:

The Farmington Community Library participates in the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS) that is administered by Michigan Employees Retirement System (an independent not-for-profit organization). The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the State of Michigan. The plan is included in the annual report of MERS which can be obtained from the offices of MERS in Lansing Michigan. The Library has no fiduciary responsibility for the plan.

All regular employees of the Library hired before July 15, 1999 and working 80 hours or more per month are eligible to participate in the plan. As of December 31, 2006, the Library had 20 covered employees, 2 inactive vested members, and 22 retirees and beneficiaries. Total and covered payrolls for the year ended June 30, 2007, were \$877,496 and \$888,584, respectively.

The plan provides for vesting of benefits after 10 years of service. Participants may elect normal retirement at age 60 with 10 or more years of service. The plan also provides for early retirement at age 55 with 25 or more years of service. Election of early retirement is subject to reduction of benefits as outlined below.

Participants are entitled to a retirement benefit equal to the credited service at the time of membership termination multiplied by 2.0%, of the member's final average compensation (F.A.C.). The retirement allowance is reduced 1/2% of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available.

Defined benefit contributions:

The plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits. The Library makes employer contributions in accordance with funding requirements determined by MERS' actuary. Benefit provisions and contribution obligations have been established by the contract.

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2007

V. Other information – (continued)

A. Retirement plans – (continued)

1. Defined benefit plan: - (continued)

Actuarial assumptions:

The significant actuarial assumptions used to compute the actuarial accrued liabilities are as follows:

	<u>Library</u>
Actuarial valuation date	December 31, 2006
Actuarial cost method	Entry age – Normal
Amortization method	Level percentage of payroll
Remaining amortization period (weighted)	23/10 years depending on group
Asset valuation method	(1)
Actuarial assumptions:	
Investment rate of return	8.0
Projected salary increase	(2)

(1) 10 year smoothed market

(2) 4.5% wage inflation plus a percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases. The range of the percentages are from 12.9% for a 20 year-old participant to 4.5% for a 60 year-old participant.

Retirement plan - defined benefit - Michigan Municipal Employee Retirement System:

Annual pension cost

The Library's Annual Required Contribution (ARC) and Annual Pension Cost (APC) for the year ended June 30, 2007 was \$83,988. All employer contributions made were equal to required contributions by MERS. There was no accumulated Net Pension Obligation (NPO) at June 30, 2007.

The Annual Pension Cost (APC), percentage of APC contributed, and Net Pension Obligation (NPO) for the year ended June 30, 2007, 2006, and 2005 are summarized as follows:

<u>Plan Year End</u>	<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/05	12/31/04	\$ 99,049	100.0	\$ -
6/30/06	12/31/05	96,324	100.0	-
6/30/07	12/31/06	83,988	100.0	-

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2007

V. Other information – (continued)

A. Retirement plans – (continued)

1. Defined benefit plan: - (continued)

Pension Plan
Schedule of Funding Progress

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial	Actuarial			Unfunded	Annual	UAAL
Valuation	Value of	Actuarial	Percent	(Funding Excess)	Covered	as % of
Date	Plan	Accrued	Funded	AAL	(Valuation)	Covered
<u>12/31</u>	<u>Assets</u>	<u>Liability</u>	<u>(1)/(2)</u>	<u>(1)-(2)</u>	<u>Payroll</u>	<u>(4)/(5)</u>
2006	\$6,340,024	6,549,959	96.8%	\$209,935	\$888,584	24.0%
2005	6,005,747	6,221,099	96.5	215,352	988,763	22.0
2004	5,745,179	5,823,615	98.7	78,436	959,072	8.0
2003	5,363,814	5,542,202	97.0	178,388	1,133,183	16.0
2002	4,998,826	5,328,712	94.0	329,886	1,159,074	28.0
2001	4,831,694	4,835,241	99.9	3,547	1,103,778	0.0
2000	4,501,512	4,458,454	101.0	(43,058)	1,074,740	0.0

2. Defined contribution plan:

During the year ended June 30, 2000, the Farmington Community Library began a defined contribution pension plan. All regular employees of the Library hired after July 15, 1999, and working 80 hours or more per month are eligible to participate in the plan. Employees hired before July 15, 1999 had a one-time option to remain with the MERS Defined Benefit Pension Plan, or to transfer their retirement accruals to the Defined Contribution Plan. The transfer occurred on March 29, 2000.

Defined contribution plan contributions:

The plan provides that the Library will contribute 5% of eligible employee's gross wages to the plan, and employees may contribute after-tax wages to the plan. The contributions are self-directed by the employees among several investment options. Contributions are fully vested at the time of the contribution. Employees may withdraw pension accruals upon termination from the Library. For the year ended June 30, 2007, employer contributions to the plan were \$55,025, and employee contributions to the plan were \$2,317.

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2007

V. Other information – (continued)

A. Retirement plans – (continued)

3. Other postemployment benefits

The Library has elected to provide postemployment health benefits to its full-time employees. Beginning with the fiscal year 2006-2007, the Library elected to participate in the MERS Retiree Health Fund as the method to fund retiree health care for current employees. The MERS plan is an agent multi-employer defined benefit plan. The Library obtained an actuarial valuation which computed a 25.89% of payroll Annual Required Contribution or \$328,295 for 2006-2007. This amount was paid by the Library into the MERS plan during the year. Also, the Library currently pays for postemployment health benefits for certain retirees that were full time. The Library pays a certain percentage of premium costs of coverage for these benefits as well as reimburses a portion of the retirees Medicare premiums. Currently, 8 retirees are eligible for postemployment health benefits. There was approximately \$97,000 in payments for postemployment health benefit premiums for this selected group made during the year.

B. Risk management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Library has purchased commercial insurance coverage for all claims. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Library maintains a self-insured plan for dental, optical, and hearing impairment medical claims. The Library reimburses each employee for 75% of claims up to a maximum of \$1,200 out of pocket expense less \$25 deductible per year. Total claims expense for the year ended June 30, 2007 amounted to \$17,302. Liability for unpaid claims was immaterial at June 30, 2007.

C. Joint venture – Metro Net

The Metro Net Library Consortium (the “Consortium” or “Metro Net”) is a Michigan nonprofit corporation incorporated in January 1994, whose members are eight public libraries: Baldwin (Birmingham), Bloomfield Township, Canton, Farmington Community, Independence Township, Rochester Hills, Southfield, and West Bloomfield Township. The Consortium was founded to promote resource sharing by creating a flexible environment conducive to experimentation, technology innovations and progressive approaches to library service. These members pay an annual membership fee to the Consortium for shared services.

The Farmington Community Library is the principal office of Metro Net, with the Farmington Community Library director serving as the Consortium’s fiscal agent and on the Consortium’s Board of Directors. The financial activities of Metro Net are reported in the Fiduciary Agency Fund.

Total Metro Net assets held by the Library as fiscal agent at June 30, 2007 amounted to \$721,195. The Library’s share of the net assets was \$18,938. Internal statements for the Metro Net are on file at the Library’s main office.

Required Supplementary Information

**Farmington Community Library
General Fund
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007**

	Budgeted		Actual	Variance With Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 6,943,786	\$ 7,457,691	\$ 7,411,897	\$ (45,794)
Intergovernmental revenues:				
State of Michigan	156,294	189,587	217,888	28,301
Memorials and gifts	58,000	58,000	85,516	27,516
Interest and dividends	90,300	90,300	185,449	95,149
Grants	0	2,000	2,225	225
Fines	123,000	123,000	129,843	6,843
Other	80,500	80,436	90,978	10,542
Total revenues	7,451,880	8,001,014	8,123,796	122,782
Expenditures				
General government:				
Salaries	2,514,997	2,548,016	2,427,288	120,728
Fringe benefits	1,117,403	1,117,403	1,079,766	37,637
Professional services	115,000	115,000	57,112	57,888
Utilities	260,000	305,000	292,845	12,155
Automation related expenditures	67,000	67,000	53,472	13,528
Insurance	86,000	88,708	88,008	700
Repairs and maintenance	260,000	258,600	253,654	4,946
Gift fund purchases	58,000	58,000	52,460	5,540
Grants	0	2,000	-	2,000
Other operating expenditures	379,749	406,127	343,134	62,993
Metro Net contribution	40,000	40,000	33,647	6,353
Capital outlay:				
Capital improvements	412,000	274,868	254,991	19,877
Books, periodicals, and library materials	752,000	813,000	698,221	114,779
Debt service:				
Principal and interest retirement	1,287,004	1,246,724	1,238,013	8,711
Total expenditures	7,349,153	7,340,446	6,872,611	467,835
Excess (deficiency) of revenues over expenditures	102,727	660,568	1,251,185	590,617
Other Financing Sources (Uses)				
Transfers out	(106,500)	(725,632)	(660,632)	65,000
Excess (deficiency) of revenues and other sources over expenditures and other uses	(3,773)	(65,064)	590,553	655,617
Fund Balance - Beginning of year	1,851,701	1,851,701	1,851,701	-
Fund Balance - End of year	\$ 1,847,928	\$ 1,786,637	\$ 2,442,254	\$ 655,617

Other Supplemental Information

Farmington Community Library, Michigan
Non-Major Governmental Funds
Summary Descriptions
June 30, 2007

Special Revenue Funds

Employee Benefit Fund - This fund accounts for employee benefits financed by the General Fund.

Capital Reserve Fund - This fund accounts for monies specifically restricted for the purchase of certain property and equipment, accounted for as expenditures of the General Fund.

**Farmington Community Library
Special Revenue Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2007**

	Employee Benefit Fund			
	Budgeted		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
Revenues				
Interest	\$ 990	\$ 990	\$ 1,055	\$ 65
Total revenues	990	990	1,055	65
Expenditures				
General government:				
Fringe benefits	20,500	20,500	17,302	3,198
Other	-	-	3,263	(3,263)
Total expenditures	20,500	20,500	20,565	(65)
Excess (deficiency) of revenues over expenditures	(19,510)	(19,510)	(19,510)	-
Other Financing Sources (Uses)				
Operating transfers in	20,500	-	20,500	20,500
Operating transfers out	-	-	-	-
Transfer from component unit	-	-	-	-
Total other sources (uses)	20,500	-	20,500	20,500
Excess (deficiency) of revenue and other sources over expenditures	990	(19,510)	990	20,500
Fund Balance - Beginning of year	22,143	22,143	22,143	-
Fund Balance - End of year	\$ 23,133	\$ 2,633	\$ 23,133	\$ 20,500

Capital Reserve Fund				T o t a l s		
Budgeted		Actual	Variance- Favorable (Unfavorable)	Final Budget	Actual	Variance- Favorable (Unfavorable)
Original	Final					
\$ -	\$ -	\$ 7,061	\$ 7,061	\$ 990	\$ 8,116	\$ 7,126
-	-	7,061	7,061	990	8,116	7,126
-	-	-	-	20,500	17,302	3,198
-	-	-	-	-	3,263	(3,263)
-	-	-	-	20,500	20,565	(65)
-	-	7,061	7,061	(19,510)	(12,449)	7,061
-	-	640,132	640,132	-	660,632	660,632
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	640,132	640,132	-	660,632	660,632
-	-	647,193	647,193	(19,510)	648,183	667,693
139,089	139,089	139,089	-	161,232	161,232	-
\$ 139,089	\$ 139,089	\$ 786,282	\$ 647,193	\$ 141,722	\$ 809,415	\$ 667,693

October 3, 2007

To the Members of the Board
Farmington Community Library
Oakland County, Michigan

Dear Board Members:

Beginning with this year's audit, national auditing standards now call for auditors to communicate matters to the governing body that may be useful in its oversight of the Library's financial management. Specifically, in addition to the long-standing requirement for auditors to communicate material weaknesses in internal controls they now require us to report internal control issues to the governing body that may be relatively minor, in order to allow the board to evaluate their significance, and make any changes it may deem appropriate. These are termed "significant deficiencies." In general, these significant deficiencies are items that most likely would have been discussed orally with management in the past. The purpose of these new standards are to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this new report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Farmington Community Library as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and/or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements

that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

Accounting for Funds Other Than General Fund

Currently, the Library uses a commercial accounting package (i.e. Solomon) for its general ledger accounting and financial reporting. The software allows one entity to be accounted for (as opposed to multiple entities) and the Library has most appropriately chosen the General Fund as the entity to be accounted for. As such, the Library must improvise and use off-line Excel spreadsheets to account for its many other separate funds. For the Metro Net and other separate funds the Library has been reconciling the bank accounts for these funds on a timely basis. However, the off-line accounting was undertaken only at the end of the year as opposed to monthly or quarterly. Since the Metro Net usually has material interfund balances with General Fund throughout the year the related account balances and activity is misstated until the accounting is completed. Due to the significant and material level of activity involved we suggest that the Metro Net Fund have the separate accounting completed on a more timely basis such as quarterly. For all other funds, we suggest that management determine whether quarterly accounting is needed to accomplish its financial reporting objectives.

Capital Asset Reporting

During the audit, we generally provide significant assistance in identifying and posting capital asset accounting adjustments for the government-wide level financial statements. Some of the accounting adjustments relate to determining capital asset additions for books and computer hardware and software and also depreciation of the Library's asset. We are pleased to assist in this process - our auditors have expertise in accrual adjustments, and can generally assist in a very cost-efficient manner. However, we bring this to your attention since it meets the above definition of a matter to be communicated.

Other Items Noted During the Audit

Bank Reconciliations

Currently, the bank reconciliation process works quite well - the Accountant prepares a reconciliation to the bank statement each month, and the Library Director randomly reviews the reconciliation. However, currently no notation by the Library Director is made to document her review. We suggest that she initial the bank reconciliations to document that she reviewed and approved the reconciliation.

New Auditing Standards

Auditing Standards Continue to Change

Major and comprehensive changes were made to auditing rules in 2006. These new auditing standards require significant changes in how audits are done and how the results of the auditor's work are communicated to clients, bringing auditing rules for nonprofit organizations into closer alignment with the standards imposed on audits of public companies under Sarbanes-Oxley.

Some of these new standards became effective for audits of financial statements dated December 31, 2006 and after. As a result, auditors are required to comply with very specific rules related to the form, content, and extent of audit documentation, including more thorough documentation of auditing procedures and results. Other new guidelines affect the audit evidence that must be obtained before an auditor can consider an audit complete.

Another new rule requires auditors to more formally communicate matters they observe about their clients' accounting procedures and internal controls. Auditors are now required to inform clients about any "significant deficiencies" in accounting procedures or internal controls that come to their attention. Significant deficiency is a defined term that includes any flaw creating more than a remote risk of errors in financial statements that could reasonably matter to a user of the statements. Auditors must now communicate these matters in writing to all individuals involved in overseeing strategic direction and accountability for operations, in addition to management.

The remainder of the new rules will become effective for audits of financial statements dated December 31, 2007 and later. These new rules, which are known collectively as the new Risk Assessment Standards, significantly change the procedures auditors must perform in all financial statement audits. Under these new rules, auditors will be required to:

- More thoroughly examine and evaluate clients' accounting processes and controls, including the overall control environment, key controls over significant transactions, and the quality of internal oversight of the financial reporting process
- More thoroughly assess and document conditions in clients' systems and processes that create risks of material misstatement in their financial statements and perform additional testing in response to these risks
- Design and perform more analytical tests of accounting and financial data
- Apply more stringent standards in identifying, assessing, and communicating internal control deficiencies
- Communicate more information about the results of the auditor's work to individuals involved in overseeing strategic direction and accountability for operations

As a practical effect of these new rules, auditors will need to make more detailed and specific requests for information from clients, particularly about processes and controls, and clients will need to do more work to be well prepared for their audits. The new rules will also require increased audit testing and more thorough auditing procedures and will increase the amount of related documentation that auditors must prepare and maintain.

Plante & Moran, PLLC began analyzing these new standards and incorporating the necessary changes into our audit process and tools more than a year ago. It is clear that the new rules will require us to perform more audit procedures than we have in the past. Over the next several months, our firm will begin to implement our new audit methodology and train our staff on these changes. Our goal is to have our staff trained and working with our clients to prepare for the transition to these new rules well in advance of the required implementation date.

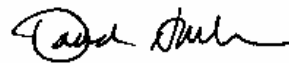
As we move forward, we will be communicating with you regularly about matters that will affect your next financial statement audit. In addition, we plan to begin to work with you during the upcoming year in a number of areas, including review and documentation of your internal accounting procedures and controls, to ensure a smooth transition to these new standards. We will be in contact with you in the near future to discuss these matters in more detail.

The primary objective of these new rules is to strengthen and enhance the independent audit of financial statements, including more thorough evaluation and information about your internal accounting and financial reporting processes and controls. We believe that these new rules and the additional communications you will receive from us about the results of our audit work will enhance the value you receive from your financial statement audit.

This communication is intended solely for the information and use of management, the board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Tadd Harburn".

Tadd Harburn, CPA